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CENTRAL INTELLIGENCE AGENCY

19 November 1948

INTELLIGENCE MEMORANDUM NO. 83

SUBJECT: Hungarian Efforts to Circumvent Prohibited Purchase of  
US Machine Tools

1. Confirmed reports reveal that official Hungarian purchasing agencies are making every effort to secure US machine tools for the manufacture of war material, through Western European third-party interests.
2. Within the past 12 months the leading Hungarian industrial firms have been preparing for conversion to a fuller war material production program for the account of the USSR. Because of war damage wear and reparations, the lack of heavy special US machine tools has been the greatest bottleneck of such plans. As a result the Hungarian Government has explored means of securing those items which have been banned from export by the US Government. Reports have been received of discussions with third-party interests (such as individual Swiss dealers and manufacturers).
3. The program is now being implemented. It is likely that efforts will be concluded in the form of a dummy Swiss cooperation, but methods in other countries have also been arranged. American manufacturers have been assured that Hungarian purchases could be routed through Holland and Belgium to reach Hungary and Poland. Instructions for shipping have included consignment to the Netherlands Indies via the Netherlands and to the Belgium Congo via Belgium. Forwarders in the Netherlands or Belgium arrange the diversion of shipment to Poland and Hungary. Gleason Gear equipment, in particular, has been sought through this means. CIA has acquired detailed lists of the Hungarian machine tool inventories in the large industrial installations, and from expert analysis it appears that many American machine tools are necessary to a full and adequate conversion to war material production.
4. Hungary is also making arrangements to set up a purchasing agency in Cuba.

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NO CHANGE in Class. ☐

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